

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN APPLICATION BY XEBEC GAS COMPANY FOR)
PERMISSION TO INSTALL, OWN AND OPERATE)
CERTAIN "INTRASTATE PIPELINE" FACILITIES)
IN THE STATE OF KENTUCKY; FOR AUTHORI-)
ZATION TO EXEMPT SUCH FACILITIES FROM) CASE NO. 9370
BEING REGULATED AS A "UTILITY" UNDER KRS,)
CHAPTER 278; AND FOR REQUESTED TRANS-)
PORTATION SERVICE THROUGH THE PIPELINE)
SYSTEMS OF WESTERN KENTUCKY GAS COMPANY)

O R D E R

On June 21, 1985, Xebec Gas Company ("Xebec") submitted an application to the Commission requesting that the Commission Order that Xebec's proposed pipeline facilities and operation are an "intrastate pipeline" pursuant to KRS 278.504 and are not considered to be a "utility" as defined in KRS 278.010; that Xebec be allowed to commence construction and operation without the issuance of a certificate of public convenience and necessity; and that Western Kentucky Gas Company ("Western") provides Xebec with pipeline tap connection at Xebec's own expense, and that Western transport certain volumes of gas from Xebec to locations on Western's pipeline system for a fee determined on a "cost of service" basis.

Subsequent to its initial filing of the application, Xebec filed with the Commission on July 3, 1985, a motion to amend its application and delete Xebec's request that it qualifies as an "intrastate pipeline" and is not operating as a "utility"; and to

delete Xebec's request for exemption from the need for the issuance of a certificate of public convenience and necessity to commence construction and operation of its facilities. This motion is pending before the Commission.

IT IS THEREFORE ORDERED that Xebec shall file the following information with the Commission, with a copy to all parties of record, within 20 days of the date of this Order. Include with each response the name of the person who will be responsible for responding to questions relating to the information involved.

1. What are the services that Xebec intends to offer its customers? Describe these services in detail.

2. Identify the industrial customers in Kentucky that have expressed an interest in utilizing the services offered by Xebec. Describe the terms and conditions of these proposals.

3. Identify the other states in which Xebec is authorized to do business. Describe the services offered. Identify existing contracts and the number of customers in these other states and describe the terms and conditions of these contracts.

4. Provide the name, address and telephone number of each supplier with whom Xebec has signed a contract for natural gas.

5. For each supplier listed provide the estimated gas reserves available to each, and the source of information on which the estimation is based.

6. Describe the terms and conditions of the contracts between Xebec and each of the suppliers listed, including the time period for which a supply of natural gas is guaranteed.

7. Why has Xebec recommended price renegotiation every six months on supplies it is offering to Western Kentucky Gas? Why has Xebec rejected monthly or quarterly price renegotiation?

8. Provide the workpapers that were used to calculate the estimated \$1.2 million savings to the ratepayers of Western Kentucky Gas if it purchases natural gas from Xebec. In calculating this figure, was an estimate of Western's take or pay liability to its supplier included? If yes, what was the estimate? Identify the categories of ratepayers who will receive these benefits.

9. Has Xebec investigated the purchase or transportation of natural gas produced in Kentucky? If yes, please describe these activities in detail. If not, explain why.

10. As of the date of this Order, has Xebec transported or otherwise provided natural gas to anyone in Kentucky?

11. For the transportation of gas to any current or future customer, does Xebec receive compensation?

12. Is Xebec limited in the number of customers it can serve who are currently customers of Western Kentucky Gas?

13. For any gas that Xebec has or will transport for an enduser, who owns the gas that is transported? At what point does ownership by the enduser ensue?

14. In Xebec's opinion does it qualify as a utility under KRS 278.010(3) as a transporter? If not, why?

15. To the extent that KRS 278.505 applies to the transportation by endusers of gas produced in Kentucky, how does Xebec believe it qualifies as a transporter under that statute?

16. Is Xebec aware of any FERC or other interpretation that states "interstate" gas at some point can become "intrastate" gas?

17. Is Xebec aware of any FERC or other interpretation that states the purchase of gas by an enduser is not interstate gas (in such a case where the gas originates at a source outside the state in which the enduser is located)?

18. In the case where an enduser in Kentucky arranges through Xebec to purchase and/or transport gas to the enduser's location, and the facilities used by Xebec to arrange the transportation are owned by someone other than Xebec, who pays whatever transportation charges exist on facilities between the point of origin of the gas and its final delivery point to the enduser?

19. Is Xebec affiliated in any way with any production or pipeline facilities? If so, please identify.

IT IS FURTHER ORDERED that a hearing shall be held on November 14, 1985, at 10:00 a.m., E.S.T., in the Commission's offices at Frankfort, Kentucky, to discuss this information and other related matters in this case.

Secretary